3 Screaming Bargains on the TSX Index

Description

Because it's been so long that we've been without a 5-10% pullback in the **TSX Index**, almost everyone is making a big deal of the 2% dip endured this week. Every past 1-2% selloff has caused some to forecast the beginning of the next market correction. Undoubtedly, the bears have been wrong, and the odds are still against them, as screaming bargains become that much better. Still, as we head deeper into a seasonal period that historically has not been so kind to stocks, investors may have a chance to pick away at their favourite bargains on the way down.

In this piece, we'll have a look at four screaming bargains that could become even more attractive over the coming weeks and months should this "selloff" mark the start of a deeper pullback in the Canadian indices.

Alimentation Couche-Tard

Alimentation Couche-Tard (TSX:ATD.B) is a breakout name that's unlikely to be rattled by forces that'll end up moving the broader markets. It's a defensive growth stock with a pretty low beta, meaning shares tend to move more under their own power than in the footsteps of the **TSX Index**. Low betas can work both ways. A name could flatline or pull back in a rallying market, as Couche-Tard did in the first quarter of the year. On the flip side, when volatility picks up, as it could in September and October, it may prove to be wise to jump into low-beta value names with defensive characteristics.

In any case, you won't be sacrificing growth potential by getting into the name as it looks to break out while markets sag. Growth by acquisition is Couche-Tard's specialty. And I have no doubt that it will achieve high double-digit earnings growth over the next five years. With that will come some pretty serious upside with a side of dividend hikes.

Don't miss out on the convenience store king at under 17 times earnings.

Algonquin Power

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) is a great dividend-growth stock that's fallen on hard times in 2021. COVID-19 disruptions have impacted business, helping contribute to the latest correction in the name. After a roller-coaster ride for nearly two years, I think it's finally time to load up before the breather ends and the renewable power play's next leg up. With shares in correction territory now off over 13% from their all-time high, it's hard to find a better bargain that promises growth and dividends.

The screaming bargain trades at just 10.5 times earnings, with a juicy 4.4% yield, which could grow at a double-digit rate moving forward. As COVID-19 headwinds abate, I'd look for Algonquin to test the $22-23 range by the year's end.

Hydro One

Sticking with the theme of Steady Eddies, we have **Hydro One** (TSX:H), which is one of my favourite bond alternatives out there. You're not going to get the same magnitude of growth as you would the likes of an Algonquin or Couche-Tard. However, you will be able to sleep very comfortably at night knowing the firm's payout is on incredible solid footing. The company's cash flow stream is protected by its sky-high moat in the province of Ontario. Although the moat and virtual monopoly have stifled growth prospects, I certainly wouldn't be against owning the name if your portfolio lacks sufficient hedges or low-to-no beta names that can buoy your portfolio before the next market typhoon hits.

At new highs, Hydro One isn't cheap. But versus bonds, they're a screaming bargain. A 3.4%-yield dividend that'll grow annually? You're not going to find that in the world of fixed-income debt securities. Not these days, anyway!

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